

Message Text

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DRAFTED BY FSE: WWHITMAN:BMH

EB:JLKATZ

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

C O N F I D E N T I A L STATE 169614

EXDIS

FOLLOWING REPEAT STATE 169614 SENT ACTION LONDON ABU DHABI
KUWAIT TEHRAN DOHA AUG 3RD.

QUOTE:

C O N F I D E N T I A L STATE 169614

EXDIS, KUWAIT PASS DOHA

E.O. 11652: GDS

TAGS: ENRG, SA

SUBJECT: ARAMCO-SAUDI RELATIONS; SAUDI AUCTION

REF: JIDDA 4440

1. DEPARTMENT OFFICERS MET AUGUST 2 WITH ARAMCO VICE
PRESIDENT AMEEN FOR DISCUSSION OF COMPANY NEGOTIATIONS WITH
SAG AND SAUDI AUCTION.

2. PROGRESS OF SAG-ARAMCO NEGOTIATIONS: PARENT COMPANY
REPRESENTATIVES ARE MEETING IN NEW YORK AUGUST 2 TO DEVELOP
COMMON NEGOTIATING POSTURE. AMEEN INDICATED THAT THERE HAS
BEEN DISPARITY OF VIEWS AMONG PARENTS; BUT WAS CONFIDENT
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THAT THEY COULD REACH AGREEMENT FOR TALKS WITH SAG. ARAMCO

TEAM PLANS VISIT SAUDI ARABIA FOR NEGOTIATIONS WITH YAMANI ON OR ABOUT AUGUST 11. AMEEN WAS CERTAIN THAT FOR TACTICAL REASONS YAMANI WANTS 100 PERCENT SETTLEMENT WITH ARAMCO BEFORE SEPT. 12 OPEC MEETINGS.

3. SHAPE OF NEW SAUDI-ARAMCO RELATIONSHIP: SAUDIS WILL WANT TO RETAIN CLOSE US TIES BY KEEPING ARAMCOS AMERICAN EMPLOYEES AND SETTING UP PAPER CORPORATION IN NEW YORK TO REPLACE ARAMCO. AMEEN BELIEVES THAT EARLIER SAUDI ASSERTION THAT ARAMCO WOULD NOT RECEIVE PREFERENTIAL BUYBACK PRICE CAN BE REVERSED THROUGH NEGOTIATIONS.

AMEEN BELIEVES THAT ARAMCO WILL BE ABLE TO NEGOTIATE A FIXED AND MEANINGFUL DISCOUNT FROM THE PRICES PAID BY OTHERS, BUT INDICATED HE DID NOT BELIEVE THAT THE VOLUME OF OIL EARMARKED FOR ARAMCO WOULD BE VERY LARGE PERCENTAGE OF SAUDI PRODUCTION.

4. AUCTION AND PRICE LEVELS: ARAMCO IS CONVINCED THAT, DESPITE OPPOSITION FROM MEMBERS OF THE ROYAL FAMILY, YAMANI WILL PREVAIL AND AN AUCTION WILL BE HELD AS"" ADVERTISED. HOWEVER AMEEN DOES NOT RPT NOT THINK THAT ANY OF THE AUCTIONED OIL WILL COME FROM NEW PRODUCTION. PRODUCTION INCREASE WOULD PROBABLY BE CONSIDERED TOO BLATANT AND THUS COUNTERPRODUCTIVE ATTEMPT TO ARRANGE DOWNWARD PRICE MOVEMENT AND IS AT ANY RATE UNNECESSARY IN VIEW OF EXISTING OIL SURPLUS. AMEEN INDICATED THAT, IF ARAMCO ALLOWED TO BID (AND HE WAS VAGUE ON THIS POINT), THEIR OFFERS WOULD BE SPREAD IN THE RANGE OF 80-87 PERCENT OF POSTING. KISSINGER UNQUOTE KISSINGER

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